



Financial Affairs Committee
March 19, 2004

1. Participants

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| --Brice Bledsoe, Contra Costa WD | --Ron Jacobsma, FWUA (call-in) |
| --George Senn, CVPWA | --Dennis Michum, Glenn-Colusa ID |
| --Russell Harrington, Westlands WD | --Kathryn Kitchell, City of Roseville |
| --Lynn Hurley, SCVWD | --Chase Hurley, Panoche WD |
| --Mike Hagman, TCCA | --Cheryl Pritchett, SCVWD |
| --Frances Mizuno, SLDMWA (call-in) | --Henry McLaughlin, City of Fresno |
| --Anthea Hansen, Del Puerto WD | --Eric Limas, Lower Tule River ID (call-in) |
| --Barry Mortimeyer, USBR | --Jerry Toenyes, NCPA (call-in) |
| --Larry Bauman, USBR | --Jesus Reynoso, USBR |
| --Tom Ruthford, USBR | --Deb Dietz, WAPA |

2. Opening Business

The March meeting was held at the ACWA Offices, 910 K Street in Sacramento. The meeting began at 9:30 and concluded about 12:30. The agenda was reviewed and approved with one item added—Title Transfers. The next meeting will be held in April at the ACWA Offices (date to be determined).

- 3. Post 2004 PUE Issues: Funding Sources for CAISO Charges.** This segment of the FAC meeting was devoted to discussing and expanding a draft white paper that Debbie Dietz and Barry Mortimeyer had prepared to explain the post 2004 CAISO funding problem and to provide options for obtaining the necessary funding. Brice commented that, although the white paper is intended primarily for use by CVPWA water contractor managers and their boards of directors, it should be written so that it would be informative to anyone who might gain access to it. It was suggested that the paper should have a lead-in that clearly and concisely introduces the issue, clearly states its purpose, and clearly identifies the preferred alternative. He also emphasized that in the short-term our goal is to get Western's use-of-receipts authority extended for FY2005. In the long-term our goal is to obtain use-of-receipts authority for both Western and Reclamation on a continuing basis.

Barry Mortimeyer walked the group through the paper and responded to questions from the group. He informed us that Western had decided not to form a Federal Control Area, but rather to operate as a contract-based sub-control area with either SMUD or the CAISO. It was noticed in the Federal Register of February 23, 2004. Western is currently negotiating with the two parties to establish a sub-control area. Jerry Toenyes said that operating under a sub-control area would provide essentially the same benefits as operating under a Federal Control Area, however establishing a sub-control area would be less of a political hassle and

Western would benefit from joining a control area that has already undergone the certification process.

The FAC reviewed the seven options contained in the draft white paper and made the determination to focus on a combination of Options 5 and 6 as the preferred alternative. These Options are summarized below.

Option 5 in the white paper provides that Western would fund the post-2004 PUE delivery costs through reauthorization of its current use-of-receipts authority. Barry and Debbie pointed out that Western would need both advance funding and use-of-receipts authority (as it currently has) to fund the post-2004 PUE delivery costs and eventually, would probably have to come up with another funding source. They explained that post-2004 CVP power costs are estimated to be about \$62 million, of which \$42 million would be recovered from the preference power customers through Western's rates. Of the \$42 million, \$33 million would be earmarked for power O&M activities self-funded by the preference power users, which leaves \$9 million available for Western to use for funding PUE delivery costs (under its use-of-receipts authority). Western also receives another \$20 million annually for transmission services, etc., making \$29 million potentially available under its use-of-receipts authority.

Barry explained that \$15 million of the \$29 million is earmarked for other purposes, i.e., \$5 million for PUE ISO charges and PG&E delivery costs, \$2.5 million for system losses, \$2.5 million for reserves, and \$5 million for small energy purchases, leaving a cushion of \$14 million for Western use-of-receipts. It is anticipated that this cushion will shrink and perhaps disappear over the next few years, which would require another source to fund the post-2004 PUE delivery costs. Brice commented that it would be prudent for the PUE contractors to plan ahead and secure use-of-receipts authority for Reclamation to offset any shortfalls in years to come of funds available for Western use-of-receipts, which is explained below under Option 6.

Option 6 in the white paper would be for Reclamation to obtain use-of-receipts authority for funding the PUE delivery costs. Under this option, the water contractors would provide the funding to Reclamation through their water rates—no new agreements would be required. The use-of-receipts authority would be subject to the annual appropriations process unless long-term authority is otherwise obtained.

Russell and Chase agreed to prepare the next draft of the white paper and an edit/review team, composed of Kathryn, Mike, Brice, and Frances, will assist with finalizing the paper.

4. **2004 Issues Matrix.** The group discussed the draft CVPWA FAC issues matrix for calendar year 2004 that the FAC had developed in January. The matrix consists of a variety of issues that had been prioritized in three categories—priority one being the most urgent and three being something that will eventually need to be addressed. The group reviewed each of the items in the matrix to determine if they required immediate action or only required tracking at this time. The group was also sensitive to Reclamation's ability to engage in the various issues—Larry Bauman felt that his group could only work two issues at a time. The group

set priorities for each of the issues, identified the Reclamation point of contact for each issue, identified the FAC member who would be willing to lead the work effort for each issue, and identified the FAC members who would participate in each of the issues. The final CVPWA FAC Issues Matrix for 2004 is attached to these minutes.

5. **FAC Structure.** Brice suggested that the group should consider permanently replacing Ron Jacobsma as the FAC Chairperson as his job as Interim General Manager of the Friant Water Users Authority is consuming all of his time. Ron felt that such a move would be in the best interests of the FAC. Brice said that he would gladly serve as the FAC Chairperson, but suggested that anyone who might be interested in the position should throw his/her hat in the ring. George will send an Email to the FAC membership, seeking nominations to the position. A vote of the members present at the April 30 FAC meeting will decide who the next FAC Chairperson will be.
6. **Title Transfers.** Ron announced that he had been invited to testify before the House Resources Committee, Sub-Committee on Water and Power on behalf of the CVP Water Association on Reclamation's Facility Title Transfer policy. He said that many districts have distribution systems that were financed by Reclamation but are now either paid off or almost paid off and that they are interested in discussing with Reclamation an expeditious and economical means of transferring title to these facilities. He asked that if any of the FAC members knew of districts that have distribution systems or other Reclamation-financed facilities that are paid off or soon to be repaid, to contact him by close of business on Monday, March 21 so that he could use the information in his testimony.